

**AMENDMENT TO THE AMENDMENT IN THE
NATURE OF A SUBSTITUTE TO H.R. 609
OFFERED BY MR. PETRI OF WISCONSIN AND MR.
BOEHNER OF OHIO**

Consolidation loan interest rates

Strike subsection (c) of section 423 of the Amendment and insert the following:

- 1 (c) CONSOLIDATION LOAN INTEREST RATES.—
- 2 (1) FFEL LOANS.—Section 427A(k) (20
- 3 U.S.C. 1077a(k)) is further amended—
- 4 (A) in the heading of paragraph (4), by inserting “BEFORE JULY 1, 2006” after “LOANS”;
- 5 and
- 6 (B) by redesignating paragraph (5) as
- 7 paragraph (6);
- 8 (C) by inserting after paragraph (4) the
- 9 following:
- 10 “(5) CONSOLIDATION LOANS ON OR AFTER
- 11 JULY 1, 2006.—
- 12 “(A) BORROWER ELECTION.—With respect
- 13 to any consolidation loan under section 428C
- 14 for which the application is received by an eligi-
- 15 ble lender on or after July 1, 2006, the applica-
- 16



1 ble rate of interest shall, at the election of the
2 borrower at the time of application for the loan,
3 be either at the rate determined under subpara-
4 graph (B) or the rate determined under sub-
5 paragraph (C).

6 “(B) VARIABLE RATE.—Except as pro-
7 vided in subparagraph (D), the rate determined
8 under this subparagraph shall, during any 12-
9 month period beginning on July 1 and ending
10 on June 30, be determined on the preceding
11 June 1 and, for such 12-month period, not be
12 more than—

13 “(i) the bond equivalent rate of 91-
14 day Treasury bills auctioned at the final
15 auction held prior to such June 1; plus

16 “(ii) 2.3 percent,
17 except that such rate shall not exceed 8.25 per-
18 cent.

19 “(C) FIXED RATE.—Except as provided in
20 subparagraph (D), the rate determined under
21 this subparagraph shall be determined for the
22 duration of the term of the loan on the July 1
23 that is or precedes the date on which the appli-
24 cation is received by an eligible lender, and
25 shall be, for such duration, not more than—



1 “(i) the bond equivalent rate of 91-
2 day Treasury bills auctioned at the final
3 auction held prior to the June 1 imme-
4 diately preceding such July 1; plus

5 “(ii) 3.3 percent,
6 except that such rate shall not exceed 8.25 per-
7 cent.

8 “(D) CONSOLIDATION OF PLUS LOANS.—
9 In the case of any such consolidation loan that
10 is used to repay loans each of which was made
11 under section 428B or was a Federal Direct
12 PLUS Loan (or both), the rates determined
13 under subparagraphs (B) and (C) shall be
14 determined—

15 “(i) by substituting ‘3.1 percent’ for
16 ‘2.3 percent’;

17 “(ii) by substituting ‘4.1 percent’ for
18 ‘3.3 percent’; and

19 “(iii) by substituting ‘9.0 percent’ for
20 ‘8.25 percent’.”.

21 (2) DIRECT LOANS.—Section 455(b)(6) (20
22 U.S.C. 1087e(b)(6)) is further amended—

23 (A) in the heading of subparagraph (D),
24 by inserting “BEFORE JULY 1, 2006” after
25 “LOANS”



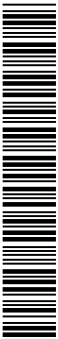
1 (B) by redesignating subparagraph (E) as
2 subparagraph (F); and

3 (C) by inserting after subparagraph (D)
4 the following:

5 “(E) CONSOLIDATION LOANS ON OR AFTER
6 JULY 1, 2006.—

7 “(i) BORROWER ELECTION.—Notwith-
8 standing the preceding paragraphs of this
9 subsection, with respect to any Federal Di-
10 rect Consolidation Loan for which the ap-
11 plication is received by an eligible lender
12 on or after July 1, 2006, the applicable
13 rate of interest shall, at the election of the
14 borrower at the time of application for the
15 loan, be either at the rate determined
16 under clause (ii) or the rate determined
17 under clause (iii).

18 “(ii) VARIABLE RATE.—Except as
19 provided in clause (iv), the rate determined
20 under this clause shall, during any 12-
21 month period beginning on July 1 and
22 ending on June 30, be determined on the
23 preceding June 1 and, for such 12-month
24 period, be equal to—



1 “(I) the bond equivalent rate of
2 91-day Treasury bills auctioned at the
3 final auction held prior to such June
4 1; plus

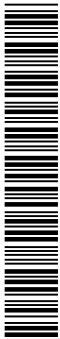
5 “(II) 2.3 percent,
6 except that such rate shall not exceed 8.25
7 percent.

8 “(iii) FIXED RATE.—Except as pro-
9 vided in clause (iv), the rate determined
10 under this clause shall be determined for
11 the duration of the term of the loan on the
12 July 1 that is or precedes the date on
13 which the application is received by an eli-
14 gible lender, and shall be, for such dura-
15 tion, equal to—

16 “(I) the bond equivalent rate of
17 91-day Treasury bills auctioned at the
18 final auction held prior to the June 1
19 immediately preceding such July 1;
20 plus

21 “(II) 3.3 percent,
22 except that such rate shall not exceed 8.25
23 percent.

24 “(iv) CONSOLIDATION OF PLUS
25 LOANS.—In the case of any such Federal



1 Direct Consolidation Loan that is used to
2 repay loans each of which was made under
3 section 428B or was a Federal Direct
4 PLUS Loan, the rates determined under
5 clauses (ii) and (iii) shall be determined—
6 “(I) by substituting ‘3.1 percent’
7 for ‘2.3 percent’;
8 “(II) by substituting ‘4.1 per-
9 cent’ for ‘3.3 percent’; and
10 “(III) by substituting ‘9.0 per-
11 cent’ for ‘8.25 percent’.”.

At the end of section 424, add the following new
subsection:

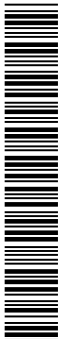
12 (e) FIXED RATE OFFSET CHARGE.—

13 (1) FFEL CONSOLIDATION LOANS.—Section
14 438(c) (20 U.S.C. 1087–1(c)) is further amended—

15 (A) in paragraph (1)(A), by inserting after
16 “paragraph (2) of this subsection” the fol-
17 lowing: “and the amount the lender is author-
18 ized to collect as a fixed rate offset charge in
19 accordance with paragraph (9) of this sub-
20 section”;

21 (B) in paragraph (1)(B)—

22 (i) by inserting “and the fixed rate
23 offset charge” after “origination fee”; and



1 (ii) by inserting “and fixed rate offset
2 charges” after “origination fees”;

3 (C) in paragraphs (3) and (4), by inserting
4 “and fixed rate offset charge” after “origina-
5 tion fee” each place it appears;

6 (D) in paragraph (5)—

7 (i) by inserting “or fixed rate offset
8 charge” after “origination fee”; and

9 (ii) by inserting “or fixed rate offset
10 charges” after “origination fees”;

11 (E) in paragraph (7), by inserting “and
12 fixed rate offset charges” after “origination
13 fees”; and

14 (F) by adding at the end the following new
15 paragraph:

16 “(9) FIXED RATE OFFSET CHARGES FOR CON-
17 SOLIDATION LOANS.—For any loan under section
18 428C for which the borrower elects to take a fixed
19 rate under section 427A(k)(5)(C), the lender is au-
20 thorized to collect a fixed rate offset charge in an
21 amount not to exceed 0.5 percent of the principal
22 amount of the loan. Such amount may be added to
23 the principal amount of the loan for repayment by
24 the borrower.”.



1 (2) DIRECT LOANS.—Section 455(c) (20 U.S.C.
2 1087e(c)), as amended by subsection (d)(2) of this
3 section, is further amended by adding at the end the
4 following new paragraph:

5 “(4) FIXED RATE OFFSET CHARGES FOR CON-
6 SOLIDATION LOANS.—For any Federal Direct Con-
7 solidation Loan for which the borrower elects to take
8 a fixed rate under section 455(b)(6)(E)(iii), the Sec-
9 retary shall collect a fixed rate offset charge in an
10 amount not to exceed 0.5 percent of the principal
11 amount of the loan. Such amount may be added to
12 the principal amount of the loan for repayment by
13 the borrower. Such amount is not subject to the re-
14 quirements of paragraph (3) of this subsection.”.

